



# MLGIP



## Annual Report

June 30, 2014

[www.mlgip.com](http://www.mlgip.com)

### Maryland Local Government Investment Pool



#### Administrator

State of Maryland  
Office of the State Treasurer  
Louis L. Goldstein Tsy. Bldg.  
80 Calvert Street  
Annapolis, Maryland 21401



#### Contractor

PNC Bank, N.A. – Custodian  
PNC Capital Advisors, LLC –  
Investment Manager  
1 East Pratt Street  
5th Floor, West  
Baltimore, Maryland 21202  
1-800-492-5160



# 2014

# LETTER FROM THE STATE TREASURER

## Fellow Constituents of Maryland:



Nancy K. Kopp  
State Treasurer

It is a pleasure to bring you the Annual Report for the Maryland Local Government Investment Pool (MLGIP) for the fiscal year ended June 30, 2014. The Annual Report presents an overview of the Pool's purpose, objectives and performance. It is intended to give a quick, but thorough, synopsis of the MLGIP operations.

The Annual Report includes an investment review provided by the Contractor, PNC Bank, N.A. and PNC Capital Advisors, LLC, displaying the investment policies of the MLGIP, the Pool's investment performance and a portfolio profile as of fiscal year end. Additionally, the MLGIP auditor, McGladrey LLP has included their Report of Independent Accountants covering financial activities from July 1, 2013 to June 30, 2014.

The MLGIP continues to manage the fund in line with GASB and FASB regulations which allows assets to be carried on an amortized cost basis. Importantly, the MLGIP has maintained S&P's coveted "AAAm" rating which signifies the excellent safety of invested principal and a superior capacity to maintain a \$1.00 per unit value. The rating is based on Standard and Poor's analysis of the Pool's credit quality, market price exposure, the Contractor's conservative investment practices and strict internal controls.

During fiscal year 2014, the Pool averaged just over \$3.39 billion and has continued to increase its asset size year-over-year. As of June 2014, the total number of registered participants since inception is 302. The Pool has approximately 800 accounts, including all of the sub-accounts for participating local governments.

Money market rates have slowly decrease over the past fiscal year, the MLGIP still remains very competitive for short-term/money market type funds. Safety, Liquidity and Competitive Yields continues to be our main focus as we meet the investment objectives of the MLGIP. Participants account information remains accessible either through the Pool's automated telephone system or web site ([www.mlgip.com](http://www.mlgip.com)) or directly from PNC Bank.

We recognize the MLGIP is only one option available to Maryland's public finance officials. For the MLGIP to remain one of the very best investment options, we encourage suggestions and comments regarding the Pool. We will continue to explore any possible enhancements brought to our attention. I thank you for your continued support.

Best Regards,

*Nancy K. Kopp*  
Nancy K. Kopp



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# OVERVIEW



# VERSIGHT/ADVISORY COMMITTEE

## **OVERSIGHT / ADVISORY COMMITTEE**

### **Management of the Pool**

Through a competitive bidding process, the State of Maryland Treasurer's Office and the MLGIP Advisory Committee has selected PNC Bank, N.A. and PNC Capital Advisors to serve as the Pool's investment manager, administrator, and marketer (in such capacity "Contractor"). The Contractor and its predecessors has acted in this capacity since the Pool's inception in 1982. In addition, the Contractor and its predecessors have been in the business of managing the investments of fiduciary and other accounts in the Baltimore area since 1864. The Contractor's local address and MLGIP contact is : David Rommel, PNC Bank, One East Pratt Street, 5<sup>th</sup> Floor West, Baltimore, Maryland 21202.

### **MLGIP Advisory Committee**

Maryland's State Treasurer has formed a MLGIP Advisory Committee consisting of current participants. The purpose of this group is to review the activities of the Contractor and provide general suggestions concerning the operations of the Local Government Investment Pool. This group will assist with the proposal evaluation during the RFP process and help select the Contractor of the Pool. The Committee meets semi-annually with the Treasurer's Office and the Contractor to review investment performance, marketing and product development.



Top Row: Andrew Marschhauser (Montgomery County), Stephen M. Kraus (City of Baltimore), Joseph Carnaggio, Jr. (Carroll County), Diane Fox (Frederick County), and Rafiu Ighile (Howard County)

Bottom Row: Louise Green (City of Baltimore Integrated Tax System), Mary Christine Jackman (Maryland State Treasurer's Office), Gwen Yount (Prince George's County) and Iris Ritter (Howard County Public Schools)

Not Pictured: Martha Bennett (Town of Ocean City), Kathryn Hewitt (Harford County), Milton Nagel (Caroline County Public Schools) and Phil Thompson (Worcester County)

To assist Maryland public finance officers in investing available balances, this Annual Report explains the significant investment and administrative policies, practices and restrictions of the Maryland Local Government Investment Pool (MLGIP). It has been designed to meet the recommended guidelines established by the National Association of State Treasurers (NAST) for Local Government Investment Pools.

The MLGIP was originally created under Article 95 §22G of the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The MLGIP, under the administrative control of the State Treasurer, is designed to provide all local government units of the State an investment vehicle for the short term investment of funds.

Since the inception of the Fund in 1982, PNC Bank, or its predecessors, through a series of competitive Request for Proposals (RFPs) has been contracted to operate the Pool. An MLGIP Advisory Committee of current participants was formed to review the activities of the Contractor semi-annually and to provide suggestions to enhance the Pool.

Established investment objectives, policies and restrictions ensure that the general objectives of the MLGIP are achieved. This Annual Report outlines the regulated guidelines and procedures on how to purchase and redeem shares of the Pool, including: establishing an account, transaction instructions, disclosure of participant account and transaction sizes, and administrative costs.

Communication to the participants is achieved by several means. Account transaction information is received from individual statements. Account activity and rate information can be obtained either daily, monthly or quarterly. The MLGIP has developed both an automated telephone response system (1-800-492-5160) and a MLGIP web site ([www.mlgip.com](http://www.mlgip.com)) that will allow for the transfer of funds, request for account balances, request for daily rate information and the ability to obtain confirmations of your transactions. General information can be obtained by calling 1-800-492-5160, the MLGIP web site, by attending many of the local government functions or from individual meetings.

Portfolio information is disclosed including: portfolio securities and maturities, portfolio valuation, yields and earnings.

### **Administrative Costs**

In accordance with the terms of the services agreement, the contractor, PNC Bank and PCA Capital Advisors charges an administrative fee based on the asset size of the Pool as follows:

#### **July 1, 2013 – December 31, 2013**

0.030% on the first \$1 billion  
0.027% between \$1 billion - \$2 billion  
0.024% over \$2 billion

#### **January 1, 2014 ...**

0.025% on the total asset size

All administrative services, i.e. reporting, collections, custodial and fund transfers, are included in this fee. The fees are accrued daily and charged monthly to the Pool. All rates are disclosed net of all fees.

# PURPOSE AND OBJECTIVES

The State Legislature created the Maryland Local Government Investment Pool (MLGIP) with the passage of Article 95 §22G, Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The Pool's purpose is to assist the public finance officer by providing an investment medium in which the participants may invest their idle balances. A pooled fund strategy is utilized creating a money market fund for municipalities that is a very safe, highly efficient programmed approach to investing. Participants are provided professional money management, a well diversified portfolio and reduced cost.

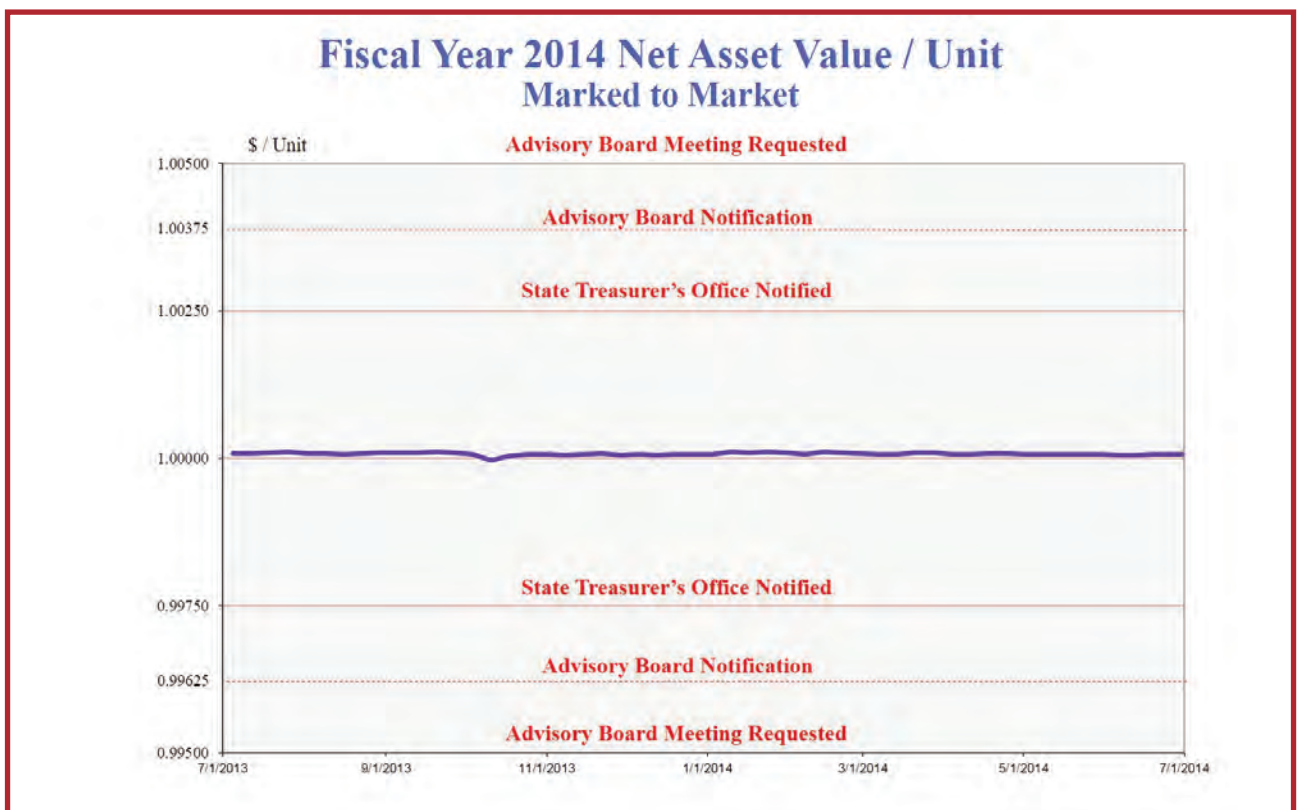
The MLGIP's General Investment Objectives are as follows:

1. To preserve the capital value of the dollars invested.
2. To provide a competitive rate of return.
3. To provide a readily available source of daily liquidity.

The MLGIP maintains a AAAM rating from Standard and Poor's (it's highest quality rating for money market funds). The rating is based on analysis of excellent safety of principal and the ability to maintain a \$1.00 per unit value.

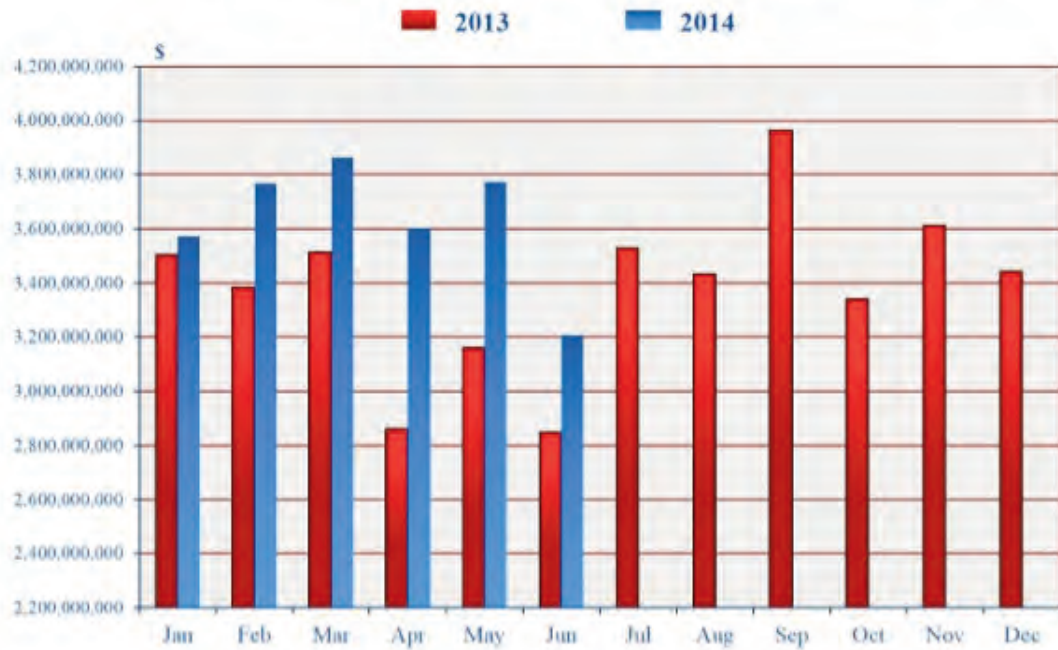
## MLGIP'S NET ASSET VALUE

The Pool seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the Pool, marked to market, is calculated and maintained on a daily basis to ensure a \$1.00 per unit constant value.

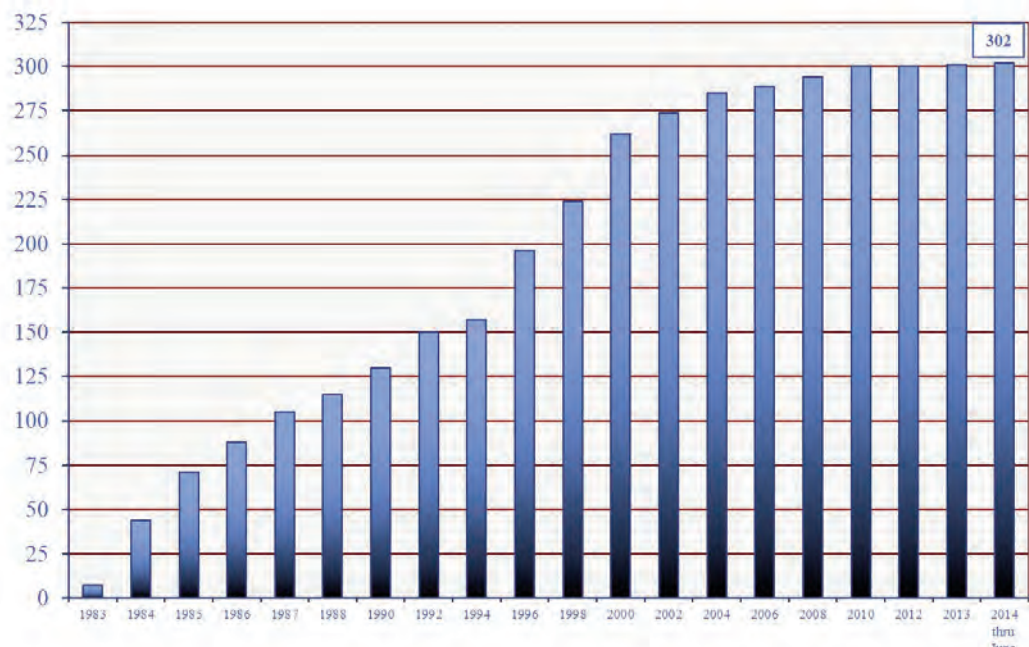


# MLGIP GROWTH CHARTS

## 2013 & 2014 Month-End Asset Size



## Registered Participants







# ELIGIBILITY

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## **Participant Eligibility (“Authorized Participant”)**

Eligible participation in the MLGIP is regulated by Article 95 §22 of the Annotated Code of Maryland. Authorized Participant means:

The governing body of each County or Municipality; a County Board of Education; the governing body of each Road, Drainage, Improvement, Construction, or Soil Conservation District or Commission in the State; the Upper Potomac River Commission; any other Political Subdivision or Body Politic of the State; a Local Government Insurance Pool formed under Title 19, Subtitle 6 of the Insurance Article; or on approval of the Treasurer, a unit of State Government or an entity created by the State if the funds of the unit or entity are not State money over which the Treasurer has investment authority.

## **Establishing A MLGIP Account (Actions Needed to Participate)**

Here are the steps needed to be taken in order to become a participant in the MLGIP:

- Pass an Enabling Resolution or provide copy of Investment Policy (w/ MLGIP as investment option)
- Include Copy of Article of Incorporation
- Complete and file an Application form
- File Schedule of Authorized Signers Form

Once these steps are completed and submitted to the Pool’s Contractor, an unlimited number of sub-accounts may be established in the name of the municipality or local government upon written request.

## **Participant Types**

There are many different types of municipalities/governments/agencies who are eligible to participate in the MLGIP. Below is a listing of some of the major participant types.

- Municipal Cities and Towns
- Counties
- Boards of Education
- Community Colleges
- Public Libraries
- Register of Wills
- Volunteer Fire Companies
- Various State and County Agencies

## Statement of Accounts

All participants in the MLGIP will receive individual statements for each of their accounts detailing transactions and income postings. The following is a list of statements or reports available, a description of the purpose of the statement/report and when they are available.

Daily: *Automated System Confirmation* – a confirmation statement is available for transactions performed through our automated systems (telephone or web) and is either faxed, e-mailed or is printer available whenever requested.

Monthly: *Transaction Statement* – a re-cap of events to have occurred in the account during the month. Information includes account number and name, opening account balance, income distribution, daily transactions and ending balance.

*Daily Rates\** – a monthly spreadsheet of net rates for each day during the month for the calendar year. Information includes daily rates, average daily rate for the month, effective annual yield and actual yield over the last twelve months.

\* Also available daily through automated systems upon request.

*Asset Distribution Report* – a quarterly report detailing a listing of the Pool's holdings including: security ID, security name, maturity date, coupon rate, issue date and trade face & cost values. This report is available on the MLGIP website.

Quarterly: *Portfolio Profile* – a quarterly report, as of the last day of the quarter, of the percentage of each type of security held in the Pool. Also including the Shares Outstanding, Average Life, Overnight Liquidity and the one day Net Rate. This report is available on the MLGIP website.

FY End: *Securities Listing of Collateral Held Against Repos* – is a one day snapshot illustrating the securities held as collateral against the repurchase agreements in the Pool. Information includes face amount, description, market value and repo amount.

*WAM and WAL Letter* – is a one day snapshot illustrating the weighted average maturity and the weighted average life of the Pool.

## Audits (both internal and external)

Internal audits are performed on the MLGIP by PNC Bank's auditing department and the MLGIP is subject to audit by a State Legislative Auditor.

A third party, external audit is performed by McGladrey LLP on a fiscal year basis ending June 30<sup>th</sup>.



## LIGIBLE INVESTMENTS

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The MLGIP may invest in any instrument in which the State Treasurer may invest. The permissible instruments for investments are established by Sections 6-222 and 6-223 of the State Finance and Procurement Article. Investments may be altered by the General Assembly. Available instruments include:

### §6-222

1. An obligation for which the United States has pledged its faith and credit for the payment of the principal and interest (collectively referred to as “U.S. Treasury Obligations”);
2. Obligations that a federal agency or federal instrumentality has issued in accordance with an act of Congress (collectively referred to as “Government Agency Obligations”);
3. A repurchase agreement (Repo) collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
4. Bankers’ acceptances (BA) guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization (NRSRO) as designated by either the United States Securities and Exchange Commission or the Treasurer;
5. Commercial paper (CP) that has received the highest quality letter and numerical rating by at least two NRSRO as designated by the United States Securities and Exchange Commission provided that such commercial paper may not exceed 10% of the total investments;
6. Money market mutual funds that: (a) are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended; (b) are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, as amended; and (c) have received the highest possible rating from at least one NRSRO as designated by the United States Securities and Exchange Commission;
7. Deposits with financial institution in the State of Maryland (collectively referred to as “CDs” if (a) the deposit is interest bearing; and (b) as provided for a depository for State money (i) the financial institution provides collateral that has a market value that equals or exceeds the amount by which a deposit exceeds the deposit insurance; and (ii) a custodian holds the collateral;
8. Any investment portfolio created under the Maryland Local Government Investment Pool (MLGIP) defined under 95 § 22G of the code that is administered by the Office of the State Treasurer.

### §6-223

1. In a deposit with a financial institution in the State if:
  - (1) the deposit is interest bearing; and
  - (2) as provided for a depository for State money:
    - (i) the financial institution provides collateral that has a market value that equals or exceeds the amount by which a deposit exceeds the deposit insurance; and
    - (ii) a custodian holds the collateral.



# INVESTMENT REVIEW





# INVESTMENT ADVISOR REPORT

## *Fiscal Year 2014 Review*

At the beginning of the fiscal year, market participants debated the possibility of a potential tapering in the amount of bond purchases by the Federal Reserve, following Chairman Bernanke's comments late in the spring of 2013. However, at the Federal Open Market Committee (FOMC) meeting in September 2013, the committee announced their decision to continue agency mortgage-backed security and Treasury security purchases at the current pace. After disappointing investors in the fall by reaffirming the current pace of the asset purchase program, the FOMC announced at the December meeting that they would begin to taper purchases of Treasury and agency mortgage-backed securities beginning in January. The \$10 billion reduction, split evenly between the two instruments, signaled the beginning of further measured reduction in asset purchases at future meetings for the remainder of the fiscal year.

Overall, economic activity and labor market conditions improved during the fiscal year, despite a slowdown during the first quarter of 2014 due to harsher than normal winter weather conditions. The labor market continued to show improvement, and household spending and business investment advanced. As expected, the Committee voted to maintain the target range for the federal funds rate of 0-25 basis points (bps) for the entire fiscal year. However, as the unemployment rate approached 6.5% before the March meeting, the FOMC updated their statement, recognizing that as the employment rate was nearing the target put forth at previous meetings, it was important to revise guidance and reiterate the intention to keep the target federal funds rate low for as long as deemed appropriate. Ben Bernanke's term as FOMC Chairman was over at the end of January, and Janet Yellen presided over her first FOMC meeting in March. As expected, the change in command did not create many waves, and the transition was a smooth one.

As the fourth quarter of 2013 began, the United States was in the midst of a federal government shut down and a bitter debate over raising the debt ceiling. Market participants were concerned that the U.S. Treasury would be unable to meet its financial obligations by mid to late October and, as a result, yields on short dated Treasury bills experienced substantial volatility. Yields on bills maturing in late October or early November rose by as much as 40 bps in a matter of days, especially as October 17, 2013 approached; the projected date when the United States was due to hit the statutory borrowing limit. While some mutual fund families chose to liquidate T-bills maturing in October and November, others took advantage of the increase in yields and added to positions. Neither Investment Company Act of 1940, as amended, Rule 2a-7 nor applicable ratings criteria required liquidation in the event the Treasury actually missed a payment. It would be considered simply a delay in payment and therefore, only a technical default. The Maryland Local Government Investment Pool (MLGIP) continued to hold all Treasury positions during the volatility, while focusing on liquidity in order to help ensure safety of principal given the unknown possibility facing the markets. The government shutdown lasted for 16 days, coming to an end in the early hours of the October 17th deadline. Once the markets suspected a solution was close, Treasury bill yields began to recede and rallied further immediately upon hearing a deal had been struck. Yields on October and early November T-bills snapped back to near zero within a few hours. Investors withdrew over \$50 billion from money market funds in the week leading up to the deadline, according to the Investment Company Institute, but assets were returned to money funds the following week.

The debt ceiling agreement reached in October of 2013 was only a temporary solution. It extended government funding until January 15, 2014 and raised the debt ceiling until February 7th. Consequently, the possibility that the United States government would run out of funds with which to meet financial obligations was again an issue during the first quarter of 2014. Although the debt ceiling expired on February 7th, extraordinary measures were set to run out by mid to late March. As a result, yields on Treasury securities with March and early April maturity dates began to rise once again. As the curve steepened, some investors again seized the opportunity for higher yields. Fortunately, a resolution was reached in mid-February and yields increased only a few bps this time around compared to the near 50 bp move that was experienced in October.

At the end of January, the United States Treasury announced its inaugural floating rate note (FRN). Initially, \$15 billion was issued and met with strong demand. The security has a 2-year final maturity, but due to the daily reset, only counts as 1 day toward the calculation of the portfolio weighted average maturity. The MLGIP participated, as the security provided a yield advantage over other Treasury securities while not adding materially to the portfolio's weighted average maturity. At the end of February and again in March, the Treasury issued re-openings of the FRN, and a new FRN with similar characteristics will be issued once every quarter.



# INVESTMENT ADVISOR REPORT (CONT.)

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Investors continued to struggle with high demand and very little supply in the money markets. For example, Treasury bill supply declined during the first part of the calendar year, due in part to both the FRN and the pending debt ceiling. Despite some volatility during that quarter, as April tax receipts streamed in, Treasury bill outstandings declined by almost \$200 billion from the end of March to the end of April, further draining needed supply from the market. By the end of the quarter, yields on short-dated Treasury bills were at or even below zero. Agency inventory inside of two months was non-existent and attractive yields on one and two-month commercial paper were difficult to find. Short discount notes were not offered with a positive yield until a few months past the turn of the year, and FNMA discount notes were nearly impossible to find inside of six months. Reductions in available repurchase agreement collateral during the course of the fiscal year further complicated investing and compounded the supply and demand issue.

During the twelve months, the LIBOR curve flattened by over 10 bps. Overnight LIBOR declined by 4 bps while 1-year LIBOR decreased from 0.69% to 0.545%. Yields on money market securities, such as commercial paper and agency discount notes, saw little material movement for most of the fiscal year. However, yields on agency discount notes experienced some volatility leading up to the October 17th debt ceiling deadline and moved in concert with Treasury bills. Similar to Treasuries, yields snapped back immediately following the deal. Yields on overnight repurchase agreements (repo) remained in the low to mid-single digits for most of the year as the mismatch between investors' liquidity needs and counterparty balance sheet restrictions persists. As a result, the Fed's reverse repo facility, first announced in the summer of 2013 as a test facility only, continued to meet with record usage during the second half of the fiscal year. The facility, originally set to expire at the end of January, 2014, was extended to January 30, 2015, and should continue to provide a floor for repo rates, even if that floor is an exceptionally low one.

For the entire fiscal year, short-term investors debated about and waited patiently for additional money market regulatory reform. While it first appeared that the industry would have answers before the end of the fiscal year, it wasn't until late July that the SEC finally adopted amendments that govern money market funds. The effect on LGIPs is yet to be determined. Towards the end of the year, in early April, the assets in the MLGIP topped \$4 billion for the first time ever. The weighted average maturity (WAM) of the MLGIP remained in the longer end of the range for most of the year, however, we shortened the WAM to 35 days at year end as technical factors in the market made extension undesirable.

PNC Capital Advisors, LLC ("PNC Capital"), a registered investment adviser with the SEC, is a subsidiary of The PNC Financial Services Group, Inc. ("PNC"). PNC Capital serves as sub-adviser to the Maryland Local Government Investment Pool. PNC is one of the nation's largest diversified financial services organizations. PNC provides investment and wealth management, fiduciary services, FDIC-insured banking products and services and lending and borrowing of funds through its subsidiaries. Neither PNC nor PNC Capital provide legal, tax or accounting advice.

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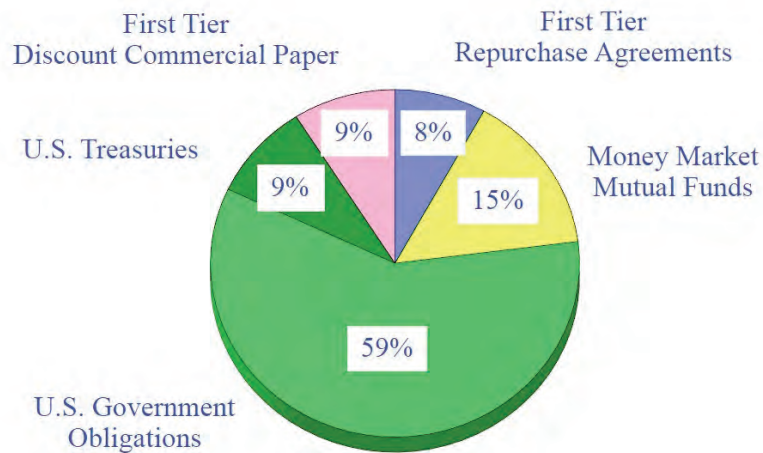
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# YIELD COMPARISON

## MLGIP Versus S&P Rated GIP Index Yield Comparison



## Portfolio Profile – June 30, 2014



Shares Outstanding:	3,127,026,184
Weighted Avg. Maturity:	35 Days
Overnight Liquidity:	18.7%
Net Rate (1 Day):	0.05%



# INVESTMENT RESTRICTIONS

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## **Credit Standard of Investments**

The MLGIP may invest in instruments rated only Tier 1 by at least one Nationally Recognized Securities Rating Organization (NRSRO). In-house credit reports are maintained on each issuer and are updated at least annually.

## **Allowable Maturity Range of Investments**

- No direct investment may have a maturity date of more than 397 days.
- Floating rate notes are permitted with a maximum 397 days reset and maximum two year final maturity.

## **Repurchase Agreement Collateralization**

- Repos are strictly collateralized with either U.S. Government Agencies Notes or Bonds or Treasury Bills, Notes and Bonds.
- Market value of collateral equals at least 102% of principal.
- Value of collateral is marked to market daily.
- All trades are processed on a delivery of collateral versus payment basis only.
- Repo collateral is segregated for the MLGIP and held in the bank's account with the Federal Reserve.

## **Investment Guidelines and Limits**

### **Liquidity**

- There is no formal minimum overnight liquidity position. However, it is anticipated that the Pool generally will operate with a minimum of 10% of the total assets in next business day maturities.
- Maximum overnight liquidity position may be 100% of assets.

### **Diversification (measured from time of purchase)**

- Maximum exposure in any one credit of Repo is limited to 15% of the total MLGIP assets.
- Maximum exposure for all combined BAs is 25% of total MLGIP assets.
- Total investment in any single issuer's BA should not exceed 5% of the total MLGIP assets.
- Maximum exposure to any single Federal Agency is 25%.
- No limit to exposure in U.S. Treasury obligations.
- Maximum exposure for all combined Commercial Paper is limited to 10% of total MLGIP assets.

## **Ineligible Investments**

- The MLGIP does not invest in any exotic derivative securities such as those specifically designated by the SEC's Division of Investment Management as inappropriate for money market funds.
- The MLGIP does not invest in securities denominated in any currency other than the U.S. dollar.

## **Money Market Mutual Funds**

- Limited to a maximum 25% of the Pool, individual fund holdings not to exceed 5%.
- Permitted mutual funds include Treasury & Government Agency Funds and Prime Funds.





# ARTICIPANT INSTRUCTIONS

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## **Transaction Instructions**

Participants can contact the MLGIP to initiate transfers without expense through the Pool's toll-free number (1-800-492-5160) or through our website ([www.mlgip.com](http://www.mlgip.com)). Participants may use either of these two automated systems to initiate a transaction or contact an MLGIP representative.

**Daily Deposits:** Participating accounts will receive same day credit for deposits if notification and monies in "good funds" are received by PNC Bank before 3:00 P.M.\* Deposits may be made in cash, check, automated clearing house (ACH), Fed wire transfer or any other generally accepted method.

**Daily Withdrawals:** Participants may obtain up to their entire principal account balance by having an authorized representative notify the MLGIP before 2:00 P.M.\* on the day of the withdrawal. Information needed from the participant include: who is calling, PIN#, amount of money to be transferred, from what MLGIP account number, to what banking institution and what account number to credit.  
*[Account information must be previously established in writing and kept available on file with the MLGIP]*

*\* transaction may not occur until the following business day if posted after these timeframes.*

## **Participant Account Size Disclosure**

**Minimum:** There is no minimum amount size needed to maintain an account.

**Maximum:** There is no maximum account size per participant. However, prudent policy suggest that you keep your balance within 10% of the total asset size of the MLGIP.

## **Transaction Size Disclosure\***

**Withdrawals:** On any given business day, participants may withdraw any amount up to their total principal market value if notification is made prior to 2:00 P.M.

**Deposits:** On any given business day, participants may add any amount to their balance if notification and monies are received prior to 3:00 P.M.

*\* We request earlier notification on any transactions greater than \$50 million.*

## **Portfolio Maturities**

The maximum allowable maturity of any individual security is 397 days (with floating rate notes up to two years). The average life will fluctuate in accordance with short-term interest rates. Generally, the Pool's average life will range between 25-55 days.

## **Portfolio Valuation**

All securities in the MLGIP are valued daily on an amortized cost basis.

The MLGIP is valued weekly on a mark to market basis using current market rates for the individual securities held in the Pool.

## **Yield Calculation**

The yield of the MLGIP is calculated daily and is based on an amortized cost basis.

Pool participants are able to obtain the previous day's rate and an estimate for the current business day by contacting (800) 492-5160 or via the website ([www.mlgip.com](http://www.mlgip.com)).

## **Earnings**

Net investment income is accrued daily.

Income distribution is made on a monthly basis on the first business day of the following month. Pool participants determine whether the earnings distribution is made by check or wire, or is reinvested in their Pool account.

## **Safekeeping Practices**

- Repo collateral is segregated for the MLGIP and held in PNC Bank's account at the Federal Reserve Bank
- U.S. Government and Federal Agency Obligations are segregated and held in an account at the Federal Reserve Bank.
- Banker's Acceptances are segregated and held in an account at State Street Bank in New York.
- Commercial Paper is segregated and held at the Depository Trust Company (DTC).

## **Bond Proceeds**

The MLGIP does accept bond proceeds from participating members. Separate accounts may be established to identify these monies and to provide an audit trail for tracking payments and income. All arbitrage calculations and rebates are the responsibility of the participant and not the MLGIP.

## **Investment of State Funds**

By repealing and reenacting, with amendments, Article 95 §22 and 22G of the Annotated Code of Maryland, as of June 1, 1995 the Maryland State Treasurer, State Agencies and sub-divisions may invest State Funds in the MLGIP.



# FINANCIALS



# INDEPENDENT AUDITOR'S REPORT

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McGladrey LLP

## Independent Auditor's Report

To the Treasurer  
State of Maryland Treasurer's Office  
Annapolis, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of the Maryland Local Government Investment Pool (the Pool), an investment trust fund of the State of Maryland, which comprise the statement of fiduciary net position of as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Local Government Investment Pool as of June 30, 2014, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.





## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### **Emphasis of a Matter**

As discussed in Note 1, the financial statements present only the Pool, an investment trust fund of the State of Maryland, and do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2014, or the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Baltimore, Maryland  
September 30, 2014



# STATEMENT OF FIDUCIARY NET POSITION

## Maryland Local Government Investment Pool

### Statement of Fiduciary Net Position

June 30, 2014

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#### Assets

##### Investments

Money market mutual funds	\$ 469,026,530
Commercial paper	282,764,694
Government agency obligations	1,854,098,903
U.S. Treasury obligations	273,023,423
Repurchase agreement	248,000,000
<b>Total investments</b>	<u>3,126,913,550</u>

Accrued Income Receivable

388,258

**Total assets**

3,127,301,808

#### Liabilities

Income Distributions Payable to Participants

134,448

Accrued Expenses

69,318

**Total liabilities**

203,766

#### Net Position

Net Position Held for Participants (Equivalent to \$1.00 per share based on  
3,127,026,184.07 shares outstanding)

\$ 3,127,098,042

See Notes to Financial Statements.



# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## Maryland Local Government Investment Pool Statement of Changes in Fiduciary Net Position June 30, 2014

<b>Operations</b>	
Additions	
Investment earnings	\$ 2,804,550
Deductions	
Administrative expenses	876,491
Distributions to participants of net investment earnings	1,926,719
<b>Total deductions</b>	<b>2,803,210</b>
Share Transactions	
Proceeds from issuance of 6,745,026,349 shares	6,745,026,349
Cost of 6,466,876,076 shares redeemed	(6,466,876,076)
<b>Net increase in net position resulting from share transactions</b>	<b>278,150,273</b>
<b>Net increase in net position</b>	<b>278,151,613</b>
Net Position Held for Participants	
Beginning of year	2,848,946,429
End of year	\$ 3,127,098,042

See Notes to Financial Statements.

## Maryland Local Government Investment Pool

### Notes to Financial Statements

#### June 30, 2014

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##### **Note 1. Nature of Activities and Significant Accounting Policies**

The Maryland Local Government Investment Pool (the Pool), established under Chapter 119, Title 17 of the Local Government Article of the Annotated Code of Maryland (the Code), is made up of funds of authorized participants and funds of the State of Maryland (the State) over which the Maryland State Treasurer's Office (the Treasurer) has investment authority. The Pool is under the administrative control of the Treasurer. PNC Capital Advisors, LLC (the Contractor) has been contracted by the Treasurer to operate and manage the Pool.

During the year ended June 30, 2014, only the following were authorized participants in the Pool: the governing body of each county or municipality; a county board of education; the governing body of each road, drainage, improvement, construction, or soil conservation district or commission in the State; the Upper Potomac River Commission; any other political subdivision or body politic of the State; a local government insurance pool formed under Title 19, Subtitle 6 of the Insurance Article; and upon approval by the Treasurer, a unit of State government or an entity created by the State, if the funds of the unit or entity are not State money over which the Treasurer has investment authority.

A summary of the Pool's significant accounting policies follows:

Financial Reporting Entity: As described in the Maryland Comprehensive Annual Financial Report (CAFR), the State is the primary government, which includes all funds, elected offices, departments, and agencies of the State as well as boards, commissions, authorities, universities and colleges over which the State's executive or legislative branches exercise legal control.

The Pool is not legally separate from the State and is, therefore, determined to be part of the primary government. The Pool is included in the State's CAFR as an investment trust fund (fiduciary fund). The scope of the Pool's financial statements presented herein is limited to the financial position of the Pool, including net position available to participants and the changes in net position.

Basis of Accounting and Measurement Focus: The accounts of the Pool are maintained and reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Investments: The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but generally operates in a manner consistent with the SEC's Rule 2a7 of the *Investment Company Act of 1940* (Rule 2a7). Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 59, *Financial Instruments Omnibus* (GASB 59), establishes standards for accounting for investments held by governmental entities. The Pool operates as a 2a7-like pool and, thus, reports all investments at amortized cost (carrying value).

The Pool is invested in accordance with the provisions of Section 6-222 and 6-223 of the State Finance and Procurement Article of the Code and Title 17, Subtitle 3 of the Code. As more fully described in these Code sections, permissible investments include: certain obligations of the United States; certain obligations of a federal agency or federal instrumentality (so-called "government agency obligations"); certain repurchase agreements; certain bankers' acceptances; certain commercial paper; and certain money market mutual funds. No direct investment may have a maturity date of more than 13 months after its acquisition; however, floating rate notes may have a two-year final maturity as long as they have a reset date within 397 days.



# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## Maryland Local Government Investment Pool Notes to Financial Statements June 30, 2014

### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Securities are valued daily on an amortized cost basis and are held to maturity under normal circumstances. Investments in money market mutual funds are valued at the closing net asset value per share on the day of valuation.

Repurchase Agreement: The Pool may agree to purchase portfolio securities from financial institutions, such as banks and broker-dealers, subject to the seller's agreement to repurchase them at an agreed-upon date and price. The seller will be required, on a daily basis, to maintain collateral in the form of an obligation of the United States, its agencies or instrumentalities on behalf of the Pool at least equal to 102% of market value of securities subject to resale. The agreement is conditioned upon the collateral being deposited under the Federal Reserve book-entry system. Such agreements, which are fully collateralized at year-end, are stated separately in the Pool's portfolio of investments. In the event of a bankruptcy or default of certain sellers of repurchase agreements, the Pool could experience costs and delays in liquidating the underlying security, which is held as collateral, and the Pool might incur a loss if the value of the collateral held declines during this period.

Securities Transactions: Purchases and sales are accounted for on the trade-date basis. Interest income is recorded as earned. Realized gains and losses from security transactions are recorded on an identified cost basis.

Unit Issues, Redemptions and Distributions: Admissions to and withdrawals from the Pool may be made daily at the daily unit value of the Pool.

Net investment income is accrued daily and allocated ratably to participating units. Such income is distributed as of the last calendar day of each month and paid on the first working business day of the following month.

Net Position Available to Participants: The net position available to participants represents the total value of all participant deposits, including late deposits held in an overnight investment account as of June 30, 2014.

The Pool operates in a manner that is similar to that of an open-end mutual fund. Participants' deposits and withdrawals are accounted for as purchases and sales of the Pool's capital shares. The amount of net proceeds from the sale of shares represents the gross withdrawals, which are redeemed from the Pool's shares during the year. The cost of shares purchased represents the gross deposits, which are invested in the Pool's shares during the year. These amounts do not include deposits or earnings, which are remitted directly to participants versus invested (or reinvested) in the Pool's shares.

Net position for the Pool is \$3,127,098,042 as of June 30, 2014.

Administrative Costs: Effective through December 31, 2013, in accordance with the terms of the service agreement, the Contractor charged an administrative fee based on the asset size of the Pool as follows:

- 0.030% on the first \$1 billion
- 0.027% between \$1 billion – \$2 billion
- 0.024% over \$2 billion

Effective January 1, 2014, in accordance with the terms of an amended service agreement, the Contractor charges an administrative fee of .025% on the asset size of the Pool.

All administrative services, including reporting, collection, custodial and fund transfers are included in this fee. The fee is accrued daily and charged monthly to the Pool, and is the responsibility of the participants in the Pool.



## Maryland Local Government Investment Pool

### Notes to Financial Statements

### June 30, 2014

#### Note 2. Investments

**General:** The Treasurer is responsible for establishing the investment policy for the Pool, which is reviewed annually. Any proposed changes are reviewed by the Pool's Advisory Committee, which meets semi-annually. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the Pool.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates on debt instruments will adversely affect the carrying value of an investment. Much of the Rule 2a7 investment guidelines that are followed by the Pool are directed toward limiting interest rate risk, in order to maintain a stable net asset value. Consistent with Rule 2a7, the dollar-weighted average portfolio maturity of the Pool's is maintained at or below 60-calendar days. Further, the maximum maturity of any security may not exceed 397 days. Floating rate note securities are deemed to have a maturity equal to the period remaining until readjustment but must have a reset date within 397 days.

The Pool's weighted average time to maturity by type of investment, excluding money market mutual funds, as of June 30, 2014, is as follows:

	Carrying Value	Weighted Average Days to Maturity
Commercial paper	\$ 282,764,694	37
Government agency obligations	1,854,098,903	49
U.S. Treasury obligations	273,023,423	28
Repurchase agreement	248,000,000	1
<b>Total investments</b>	<b>\$ 2,657,887,020</b>	<b>41</b>

The weighted average days to maturity of the portfolio as a whole, which includes money market funds, is 35 days.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Applicable sections of the Code and the Pool's investment policy limit the types of securities available for investment to obligations of the U.S. government or its agencies or instrumentalities, bankers' acceptances, commercial paper, money market mutual funds, and, in limited circumstances, obligations of political subdivisions. Bankers' acceptances and commercial paper are subject to certain credit rating, guarantee and/or collateral requirements.

The credit ratings and book values of the investments, by type, are as follows:

Investment Type	Credit Rating Moody's/S&P	Carrying Value
Money market mutual funds	Aaa-mf/AAAm	\$ 469,026,530
Commercial paper	P-1/A-1+ , P-1/A-1	282,764,694
Government agency obligations*	Aaa/AA+	1,854,098,903
U.S. Treasury obligations	Aaa/AA+	273,023,423
Repurchase agreement**	NR/A-1	248,000,000
		<b>\$ 3,126,913,550</b>

\*Ratings are those of the government agency and not that of the individual security held.

\*\* Rating is that of the repurchase agreement's counterparty.

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## Maryland Local Government Investment Pool Notes to Financial Statements June 30, 2014

### Note 2. Investments (Continued)

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Pool will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Pool generally requires that securities purchased are to be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the Pool's exposure to risk and ensure the safety of the investment. The market value of securities utilized as collateral for repurchase agreements must be at least 102% of the value of the repurchase agreement.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Concentration of credit risk is mitigated by limiting the percentage of the portfolio invested with any one issuer. The Pool's investment policy establishes limits which restrict the maximum amount of exposure as a percent of total assets to any single issuer at the time of purchase. These limits are as follows:

- 15% maximum exposure in any one repurchase agreement counterparty.
- 25% maximum exposure to any single federal agency or instrumentality.
- No limit to exposure in U.S. Treasury obligations.
- 5% maximum exposure to any single issuer's bankers' acceptances or commercial paper.
- 25% maximum exposure to money market mutual funds and 5% maximum exposure to any individual money market mutual fund.

The Pool's investments at June 30, 2014, included the following issuers which individually represented greater than 5% of its total net position:

Issuer	Carrying Value	Percent of Net Position
Federal National Mortgage Association	\$ 704,510,687	22.5%
Federal Home Loan Bank	553,159,718	17.7%
Federal Home Loan Mortgage Corporation	450,379,713	14.4%
Bank of America	248,000,000	7.9%
JP Morgan	173,652,474	5.6%
	<u>\$ 2,129,702,592</u>	<u>68.1%</u>

### Note 3. Related Party Transactions

The State is a participant in the Pool. At June 30, 2014, the State's investment in the Pool totaled approximately \$4.8 million.



# PORTFOLIO OF INVESTMENTS

## Maryland Local Government Investment Pool

### Portfolio of Investments

### June 30, 2014

	Credit Quality Ratings Moody's/S&P	Par Value/ Face Amount or Number of Shares	Carrying Value
<b>Securities – United States</b>			
Money Market Mutual Funds			
FFI Government Fund (MLGXX)	Aaa-mf/AAAm	249 \$	249
Goldman Sachs Financial (FGTXX)	Aaa-mf/AAAm	736	736
Goldman Sachs Financial (FPOXX)	Aaa-mf/AAAm	143,824,418	143,824,418
JP Morgan Prime Capital (CJPXX)	Aaa-mf/AAAm	159,153,981	159,153,981
JP Morgan U.S. Government (IJGXX)	Aaa-mf/AAAm	14,498,493	14,498,493
Morgan Stanley Liq Prime (MPFXX)	Aaa-mf/AAAm	151,548,653	151,548,653
<b>Total money market mutual funds</b>			<b>469,026,530</b>
Commercial Paper			
Abbey National North America LLC 0.11%, due 07/03/14	P-1/A-1	\$ 5,000,000	4,999,969
Abbey National North America LLC 0.11%, due 07/07/14	P-1/A-1	15,000,000	14,999,725
Abbey National North America LLC 0.26%, due 11/14/14	P-1/A-1	15,000,000	14,985,267
Alpine Securitization Corporation 0.16%, due 07/17/14	P-1/A-1	9,500,000	9,499,324
Alpine Securitization Corporation 0.20%, due 08/04/14	P-1/A-1	6,500,000	6,498,772
Australia and New Zealand Banking Group 0.16%, due 09/15/14	P-1/A-1+	11,000,000	10,996,284
Bank of Tokyo - Mitsubishi UFJ 0.10%, due 07/08/14	P-1/A-1	10,000,000	9,999,806
Bank of Tokyo - Mitsubishi UFJ 0.18%, due 08/08/14	P-1/A-1	4,950,000	4,949,060
BNP Paribas Finance 0.08%, due 07/01/14	P-1/A-1	10,000,000	10,000,000
BNP Paribas Finance 0.19%, due 07/10/14	P-1/A-1	10,000,000	9,999,525
Collateralized Commercial Paper II Co. LLC 0.14%, due 07/22/14	P-1/A-1	15,000,000	14,998,775
Commonwealth Bank 0.14%, due 08/07/14	P-1/A-1	5,000,000	4,999,281
Commonwealth Bank Australia 0.14%, due 08/07/14	P-1/A-1+	5,000,000	4,999,281
DNB NOR Bank ASA 0.20%, due 07/11/14	P-1/A-1	20,000,000	19,998,889

(Continued)



## PORTFOLIO OF INVESTMENTS – CONTINUED

### Maryland Local Government Investment Pool Portfolio of Investments June 30, 2014

	Credit Quality Ratings Moody's/S&P	Par Value/ Face Amount or Number of Shares	Carrying Value
Commercial Paper (Continued)			
DNB NOR Bank ASA 0.17%, due 07/28/14	P-1/A-1	\$ 10,000,000	\$ 9,998,725
Fairway Finance Corporation 0.14%, due 08/12/14	P-1/A-1	10,000,000	9,998,367
HSBC USA Inc. 0.21%, due 08/04/14	P-1/A-1	17,113,000	17,109,606
JP Morgan Securities LLC 0.22%, due 07/16/14	P-1/A-1	6,400,000	6,399,413
Liberty Street Funding Corporation 0.13%, due 07/11/14	P-1/A-1	10,000,000	9,999,639
Liberty Street Funding Corporation 0.15%, due 08/11/14	P-1/A-1	10,000,000	9,998,292
Liberty Street Funding Corporation 0.17%, due 09/19/14	P-1/A-1	4,356,000	4,354,354
Oversea-Chinese Banking Corporation 0.19%, due 07/02/14	P-1/A-1+	13,000,000	12,999,931
Oversea-Chinese Banking Corporation 0.19%, due 07/08/14	P-1/A-1+	10,000,000	9,999,631
Oversea-Chinese Banking Corporation 0.19%, due 07/28/14	P-1/A-1+	7,000,000	6,999,003
Rabobank USA Financial Corporation 0.21%, due 11/12/14	P-1/A-1+	10,000,000	9,992,183
Sheffield Receivables Corporation 0.18%, due 08/15/14	P-1/A-1	13,000,000	12,997,075
Starbird Funding Corporation 0.18%, due 08/13/14	P-1/A-1	10,000,000	9,997,850
Toyota Motor Credit 0.15%, due 09/19/14	P-1/A-1+	10,000,000	9,996,667
<b>Total commercial paper</b>			<u>282,764,694</u>

(Continued)



## PORTFOLIO OF INVESTMENTS – CONTINUED

### Maryland Local Government Investment Pool Portfolio of Investments June 30, 2014

	Credit Quality Ratings Moody's/S&P	Par Value/ Face Amount or Number of Shares	Carrying Value
Government Agency Obligations*			
Federal Farm Credit Bank			
0.04%, due 07/11/14	Aaa/AA+	\$ 35,000,000	\$ 34,999,611
0.08%, due 08/04/14	Aaa/AA+	3,749,000	3,748,717
0.08%, due 08/13/14	Aaa/AA+	20,000,000	19,998,089
0.13%, due 08/15/14**	Aaa/AA+	20,000,000	20,000,913
0.08%, due 08/18/14	Aaa/AA+	30,000,000	29,996,800
0.09%, due 11/17/14	Aaa/AA+	17,310,000	17,303,985
0.25%, due 11/26/14	Aaa/AA+	10,000,000	10,006,370
1.12%, due 12/19/14	Aaa/AA+	10,000,000	9,994,300
Federal Home Loan Mortgage Corporation			
0.07%, due 07/01/14	Aaa/AA+	7,347,000	7,347,000
0.13%, due 07/01/14	Aaa/AA+	5,600,000	5,600,000
0.03%, due 07/01/14	Aaa/AA+	16,956,000	16,956,000
0.04%, due 07/07/14	Aaa/AA+	15,000,000	14,999,888
0.04%, due 07/07/14	Aaa/AA+	5,100,000	5,099,966
0.03%, due 07/08/14	Aaa/AA+	10,000,000	9,999,942
0.03%, due 07/11/14	Aaa/AA+	10,900,000	10,899,909
5.00%, due 07/15/14	Aaa/AA+	4,750,000	4,758,948
0.04%, due 07/21/14	Aaa/AA+	25,000,000	24,999,375
0.04%, due 07/21/14	Aaa/AA+	25,000,000	24,999,444
0.04%, due 07/28/14	Aaa/AA+	50,000,000	49,998,575
0.05%, due 07/28/14	Aaa/AA+	8,600,000	8,599,678
0.04%, due 07/28/14	Aaa/AA+	5,000,000	4,999,861
0.05%, due 08/04/14	Aaa/AA+	25,000,000	24,998,819
0.07%, due 08/13/14	Aaa/AA+	7,100,000	7,099,406
1.00%, due 08/20/14	Aaa/AA+	20,000,000	20,023,696
0.08%, due 08/25/14	Aaa/AA+	8,500,000	8,498,961
0.08%, due 08/25/14	Aaa/AA+	15,000,000	14,998,167
0.06%, due 09/02/14	Aaa/AA+	9,693,000	9,692,033
0.05%, due 09/02/14	Aaa/AA+	3,338,000	3,337,708
0.05%, due 09/02/14	Aaa/AA+	18,200,000	18,198,408
0.10%, due 09/04/14	Aaa/AA+	11,000,000	10,998,113
0.05%, due 09/16/14	Aaa/AA+	13,900,000	13,898,365
0.07%, due 09/17/14	Aaa/AA+	15,000,000	14,997,888
0.09%, due 09/24/14	Aaa/AA+	30,000,000	29,993,625
0.06%, due 09/26/14	Aaa/AA+	20,982,000	20,978,958

(Continued)





# PORTFOLIO OF INVESTMENTS – CONTINUED

## Maryland Local Government Investment Pool Portfolio of Investments June 30, 2014

	Credit Quality Ratings Moody's/S&P	Par Value/ Face Amount or Number of Shares	Carrying Value
Government Agency Obligations*			
Federal Home Loan Mortgage Corporation (Continued)			
0.08%, due 09/29/14	Aaa/AA+	\$ 7,500,000	\$ 7,498,500
0.08%, due 11/10/14	Aaa/AA+	14,603,000	14,598,716
0.10%, due 11/17/14	Aaa/AA+	10,000,000	9,995,946
0.75%, due 11/25/14	Aaa/AA+	5,938,000	5,953,350
0.75%, due 11/25/14	Aaa/AA+	25,295,000	25,360,468
Federal Home Loan Bank			
0.07%, due 07/02/14	Aaa/AA+	7,900,000	7,899,985
0.06%, due 07/02/14	Aaa/AA+	11,900,000	11,899,982
0.06%, due 07/02/14	Aaa/AA+	14,700,000	14,699,976
0.05%, due 07/02/14	Aaa/AA+	54,300,000	54,299,917
0.04%, due 07/07/14	Aaa/AA+	20,000,000	19,999,850
0.06%, due 07/07/14	Aaa/AA+	23,350,000	23,349,786
0.06%, due 07/07/14	Aaa/AA+	9,900,000	9,899,901
0.03%, due 07/11/14	Aaa/AA+	25,000,000	24,999,792
0.03%, due 07/16/14	Aaa/AA+	10,000,000	9,999,854
0.09%, due 07/16/14	Aaa/AA+	21,100,000	21,099,209
0.04%, due 07/22/14	Aaa/AA+	15,000,000	14,999,650
0.07%, due 07/23/14	Aaa/AA+	5,000,000	4,999,786
0.08%, due 07/23/14	Aaa/AA+	9,700,000	9,699,526
0.05%, due 07/30/14	Aaa/AA+	7,532,000	7,531,697
0.05%, due 08/01/14	Aaa/AA+	40,000,000	39,998,209
0.06%, due 08/08/14	Aaa/AA+	50,000,000	49,996,883
0.08%, due 08/08/14	Aaa/AA+	8,000,000	7,999,324
0.09%, due 08/29/14	Aaa/AA+	25,000,000	24,996,313
0.10%, due 09/17/14	Aaa/AA+	7,700,000	7,698,415
0.09%, due 09/24/14	Aaa/AA+	25,000,000	24,999,903
0.07%, due 09/24/14	Aaa/AA+	6,100,000	6,098,920
0.13%, due 10/02/14	Aaa/AA+	50,000,000	50,003,538
0.23%, due 10/08/14	Aaa/AA+	5,000,000	5,001,057
0.12%, due 10/17/14	Aaa/AA+	16,000,000	15,999,461
0.13%, due 10/28/14	Aaa/AA+	10,000,000	10,000,763
0.07%, due 10/29/14	Aaa/AA+	30,000,000	29,993,000
0.07%, due 11/19/14	Aaa/AA+	20,000,000	19,994,125
0.11%, due 01/23/15**	Aaa/AA+	15,000,000	15,000,551
0.10%, due 03/20/15**	Aaa/AA+	10,000,000	10,000,345

(Continued)

# **PORTFOLIO OF INVESTMENTS – CONTINUED**

## **Maryland Local Government Investment Pool** **Portfolio of Investments** **June 30, 2014**

	Credit Quality Ratings Moody's/S&P	Par Value/ Face Amount or Number of Shares	Carrying Value
<b>Government Agency Obligations*</b>			
<b>Federal National Mortgage Association</b>			
0.03%, due 07/01/14	Aaa/AA+	\$ 25,000,000	\$ 25,000,000
0.12%, due 07/02/14	Aaa/AA+	40,000,000	39,999,872
0.07%, due 07/02/14	Aaa/AA+	11,300,000	11,299,978
0.03%, due 07/03/14	Aaa/AA+	75,000,000	74,999,854
0.04%, due 07/09/14	Aaa/AA+	16,667,000	16,666,841
0.04%, due 07/14/14	Aaa/AA+	33,220,000	33,219,520
0.08%, due 07/16/14	Aaa/AA+	15,000,000	14,999,531
0.07%, due 07/16/14	Aaa/AA+	31,250,000	31,249,023
0.13%, due 07/21/14	Aaa/AA+	10,000,000	9,999,278
0.11%, due 07/22/14	Aaa/AA+	23,000,000	22,998,524
0.03%, due 07/23/14	Aaa/AA+	14,350,000	14,349,693
0.03%, due 07/29/14	Aaa/AA+	10,100,000	10,099,725
0.03%, due 07/30/14	Aaa/AA+	23,501,000	23,500,337
0.05%, due 08/01/14	Aaa/AA+	20,000,000	19,999,053
0.06%, due 08/06/14	Aaa/AA+	15,600,000	15,599,142
0.05%, due 08/19/14	Aaa/AA+	20,000,000	19,998,639
0.08%, due 08/20/14	Aaa/AA+	20,000,000	19,997,778
0.09%, due 08/20/14	Aaa/AA+	30,000,000	29,996,042
0.06%, due 08/25/14	Aaa/AA+	6,231,000	6,230,381
0.04%, due 08/26/14	Aaa/AA+	15,000,000	14,998,950
0.06%, due 08/27/14	Aaa/AA+	35,000,000	34,996,675
0.05%, due 08/27/14	Aaa/AA+	15,000,000	14,998,908
0.08%, due 08/27/14	Aaa/AA+	11,666,000	11,664,430
0.12%, due 09/02/14	Aaa/AA+	30,000,000	29,993,700
0.13%, due 09/11/14**	Aaa/AA+	10,000,000	10,001,210
3.00%, due 09/16/14	Aaa/AA+	5,082,000	5,112,317
0.07%, due 09/17/14	Aaa/AA+	17,099,000	17,096,518
0.14%, due 09/22/14	Aaa/AA+	9,000,000	8,997,199
0.07%, due 09/24/14	Aaa/AA+	15,000,000	14,997,521
0.10%, due 09/24/14	Aaa/AA+	2,130,000	2,129,497
0.10%, due 09/24/14	Aaa/AA+	4,900,000	4,898,843
0.07%, due 10/01/14	Aaa/AA+	25,890,000	25,885,038
0.07%, due 10/02/14	Aaa/AA+	30,000,000	29,994,575
0.12%, due 12/01/14	Aaa/AA+	20,500,000	20,489,545
0.75%, due 12/19/14	Aaa/AA+	18,000,000	18,052,550
<b>Total government agency obligations</b>			<b>1,854,098,903</b>

(Continued)



## PORTFOLIO OF INVESTMENTS – CONTINUED

### Maryland Local Government Investment Pool Portfolio of Investments June 30, 2014

	Credit Quality Ratings Moody's/S&P	Par Value/ Face Amount or Number of Shares	Carrying Value
<b>U.S. Treasury Obligations</b>			
0.02%, due 07/03/14	Aaa/AA+	\$ 30,000,000	\$ 29,999,959
0.02%, due 07/03/14	Aaa/AA+	50,000,000	49,999,932
0.01%, due 07/10/14	Aaa/AA+	25,000,000	24,999,909
0.03%, due 07/17/14	Aaa/AA+	20,000,000	19,999,773
0.13%, due 07/31/14	Aaa/AA+	15,000,000	15,001,059
0.00%, due 08/07/14	Aaa/AA+	15,000,000	14,999,961
0.50%, due 08/15/14	Aaa/AA+	20,000,000	20,010,524
0.25%, due 09/15/14	Aaa/AA+	40,000,000	40,016,964
0.07%, due 01/31/16**	Aaa/AA+	25,000,000	24,997,993
0.07%, due 01/31/16**	Aaa/AA+	33,000,000	32,997,349
<b>Total U.S. treasury obligations</b>			<u>273,023,423</u>
<b>Total securities</b>			<u>2,878,913,550</u>
<b>Repurchase Agreement – United States***</b>			
Merrill Lynch, Pierce, Fenner & Smith			
0.05% due 07/01/14	NR/A-1	248,000,000	248,000,000
<b>Total repurchase agreement</b>			<u>248,000,000</u>
<b>Total investments</b>			<u>\$ 3,126,913,550</u>

\* The issuers listed above under the heading Government Agency Obligations operate under a Congressional Charter. Their securities are neither issued or guaranteed by the U.S. Government. Ratings are those of the government agency and not that of the individual security held.

\*\* Variable rate security. The rate shown is as of June 30, 2014, and date shown is the next interest reset date.

\*\*\* The repurchase agreement has been collateralized with government agency obligations with a total market value of approximately \$253,396,900 and a maturity date of February 28, 2018. Rating is that of the repurchase agreement's counterparty.



## SELECTED PARTICIPANT SHARE AND RATIO INFORMATION

### Maryland Local Government Investment Pool Selected Participant Share and Ratio Information June 30, 2014

Net asset value per share, beginning of year	\$ 1.00
Net investment earnings*	0.001
Less distributions to participants of net investment earnings*	(0.001)
Net asset value per share, end of year	\$ 1.00
Total return	0.06%
Ratio to average net position:	
Expenses	0.03%
Net investment earnings	0.06%

\* Calculated using the average number of shares outstanding throughout the year ended June 30, 2014.

**ALLEGANY**ANNEARUNDEL  
BALTIMORECITY*Calvert*  
CAROLINECarroll**CECIL**Charles  
**DORCHESTER**FrederickGarrett  
Harford**H O W A R D K E N T**  
MONTGOMERYPrince**GEORGES**  
QUEENANNE'S**ST.MARYS**SOMERSET  
TALBOTWASHINGTONWICOMICOWorcester  
**ALLEGANY**ANNEARUNDEL  
BALTIMORECITY*Calvert*  
CAROLINECarroll**CECIL**Charles  
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QUEENANNE'S**ST.MARYS**SOMERSET  
TALBOTWASHINGTONWICOMICOWorcester



The information provided in this annual report is intended to assist Maryland's public finance officers in the challenging task of investing public funds. The Maryland Local Government Investment Pool offers local governments an investment source that is safe, liquid and earns a competitive rate of return. Please read this report carefully and keep it available for future reference.

**MLGIP**



# **MARYLAND LOCAL GOVERNMENT INVESTMENT POOL**

The Maryland Local Government Investment Pool's funds are not bank deposits or obligations of, or guaranteed, endorsed or otherwise supported by PNC Bank, N.A. or PNC Capital Advisors, Inc. and such funds are not federally insured by the U.S. Government, the State of Maryland, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

